

## 4 Credit Buying

Check your credit report at least once a year for errors and negative information that could prevent you from obtaining a security clearance or mortgage.

### Credit Bureau Addresses:

- Experian (formerly TRW)  
PG. Box 8030  
Layton, UT 8404 1-8030  
(800) 682-7654  
www.experian.com
- TransUnion  
PG. Box 390  
Springfield, PA 19064  
(800) 916-8800 or  
(800) 888-4213  
www.transunion.com
- Equifax  
P.O. Box 740241  
Atlanta, GA 30374-024 1  
(800) 685-1111  
www.equifax.com

Credit reports from Equifax, Experian, and TransUnion usually cost \$8.00 each. If you have been denied credit, you have the right to a free copy of your credit report from the system used by the merchant.

### How to Request a Copy of Your Credit Report:

For a free report, you must request it within 60 days of the denial. Include a copy of the denial letter. The denial letter will tell you which credit bureau the creditor used

and the reason you were denied credit.

For a routine credit report, requests must have your signature, a check or money order attached, and the following information:

- Full name and/or maiden name (please print)
- Name of spouse
- Current address
- Addresses with zip codes for the previous five years
- Daytime phone number
- Date of birth
- Social Security number
- Some verification of address (an old bill with your name and address, copy of a driver's license, etc.)
- Your employer

A request for a joint report must include signature and information for both persons. Cost of the report may be doubled for a joint report.

### How to Correct an Error on Your Credit Report:

Obtain a copy of your credit report. Review all items. Write a letter to the credit reporting agency indicating each inaccurate entry. Be certain to *date*, sign, and send a certified letter with return receipt requested. Keep a copy of all correspondence. Send a copy of the complaint to the store or bank that denied the credit or made the error.

Credit reporting agencies give creditors 30 days to resolve mistakes. If the creditor fails to respond within this time, the item must be removed from your file. You should receive a copy of your updated report within 60-90 days. Note the changes. If all items have not been corrected, send a second letter to the agency via certified mail, return receipt requested. If you have late or nonpayment problems due to job layoffs, illness, divorce, death of spouse, poor services, fraud, or damaged merchandise, you may add a 100-word explanation to your file. Items will be deleted *only* if they are incorrect, untrue, or outdated, or if the creditor fails to respond to the dispute. Items can be corrected free of *charge* without the assistance of a credit repair company.

### How to Get Your Name Off Credit Grantor Mailing Lists:

Credit grantors receive lists of names from credit bureaus in order to prescreen your report and make promotional offers. To be excluded from these lists, call the following:

- Equifax (800) 556-4711
- Experian (800) 353-0809
- TransUnion. (800) 680-7293

This request will be good for one year only.

## SHOPPING FOR CREDIT WORKSHEET

Investigate at least three places where you could finance the article you want to purchase. Figure the dollar cost as indicated. The lowest dollar cost will be your best buy for credit.

### Cash Price

\$ _____	Sample	Credit Union	Bank	Store or Dealer	Loan Co.
Number of monthly payments	18				
Amount of each payment	\$15				
Total paid in installments	\$270				
Add down payment made at time of purchase	\$30				
Total cost	\$300				
Subtract cash price of item	\$270				
Dollar cost of credit	\$30				
Other information to consider; i.e. cost of insurance, etc.	\$1 charge for late payment				

## SHOPPING FOR CREDIT

### The Right Card for You:

- Carrying over balance: Look for a card with a low annual percentage rate (APR).
- Paying off balances monthly: Look for a card with no annual fee. Check for a grace period during which no interest is charged on outstanding balances.
- Poor or no credit history: Secured cards are available. Customers post a security deposit equal to the credit limit of the card. Beware of high interest charges and be wary of 900-number promotions.

### How to Find the Right Card:

1. The Federal Reserve has written a 17-page booklet: "SHOP... The Card You Pick Can Save You Money." It is designed to help consumers select the best credit card to suit their needs. You can obtain a copy by writing to: Federal Reserve System Publication Services MS-127 Washington D.C. 20551
2. RAIWI Research and Bankcard Holders of America publish updated lists of the best credit card deals.  
RAM Research  
Card-Trak  
Box 1700  
Frederick, MD 21702  
(enclose \$5.00 fee)

Bankcard Holders of America  
524 Branch Drive  
Salem, VA 24153  
(enclose \$4.00 fee)

3. **Money** and **Kiplingers** magazines frequently post a list of the best credit card deals for those who carry a balance or pay in full.

### How to Manage Credit:

- Commit to a plan to pay off or at least substantially reduce your credit card debt by using a power payment schedule.
- Reduce the balance on your highest interest cards first or use the power payment method.
- Call the card company and request that they lower you interest rate and eliminate your fees. It costs nothing to ask. Many companies will agree to your requests because of stiff competition. Consider changing companies if yours will not give you a break or you find a better deal.
- Check the fine print on the credit application. Are you getting a fixed annual percentage rate or is it a temporary teaser rate that will increase frequently?
- If you plan to transfer balances, look for a card that treats transferred amounts as purchases rather than cash advances. The cash advance charge is usually much higher. You usually will get

an initial 25-day interest free grace period.

- Always pay more than the minimum amount due.
- If you carry a balance, beware of cards that offer a rebate, frequent flier miles, and other perks. They usually carry high interest rates and fees that can cancel their benefits.

### The Cost of Credit:

Credit is not free money. Check the APR on your credit card or loan statement to see what it's costing you. This is the interest you will pay each year if your average daily balance is:

APR	\$1,000	\$2,000	\$3,000	\$4,000	\$5,000
12.0	\$120	\$240	\$360	\$480	\$600
12.5	125	250	375	500	625
13.0	130	260	390	520	650
13.5	135	270	405	540	675
14.0	140	280	420	560	700
14.5	145	290	435	580	725
15.0	150	300	450	600	750
15.5	155	310	465	620	775
16.0	160	320	480	640	800
16.5	165	330	495	660	825
17.0	170	340	510	680	850
17.5	175	350	525	700	875
18.0	180	360	540	720	900
18.5	185	370	555	740	925
19.0	190	380	570	760	950
19.5	195	390	585	780	975
20.0	200	400	600	800	1,000
20.5	205	410	615	820	1,025
21.0	210	420	640	840	1,050
21.5	215	430	645	860	1,075
22.0	220	440	660	880	1,100
22.5	225	450	675	900	1,125

## POWER PAYMENT PLAN WORKSHEET

### INSTRUCTIONS:

Use this worksheet to create your personal power payment plan. Follow these steps, using the example given below as a guideline:

- Where do you get extra money to make power payments? The most logical place is in your regular monthly budget. Carefully prioritize and cut back on any unnecessary items to come up with an extra sum of money.
- Plan to pay at least the minimum monthly payment for each bill.
- Take the smallest bill and try to pay a set amount (\$10, \$20, \$35 for example) in addition to the minimum monthly payment until the bill is paid off. You will feel more successful if you start paying on the smallest bill first!
- After the first bill is paid, shift the amount of that payment onto the next largest bill to create another power payment.
- As you decrease the balances on your bills, your creditors will usually reduce the minimum amount due. Ignore the reductions. Keep your payments at the same amount or your pay-off date will be delayed and you'll end up paying more interest.
- When all power payments are completed, simply make the same payments into a savings account and watch your money grow!

### EXAMPLE:

- Mary was able to find an extra \$10 in her budget to make a power payment of \$50 on her \$40 minimum monthly Visa bill, the smallest of her debts.
- When Visa was paid off, she shifted the \$50 on to her \$25 month Sears bill for a \$75 power payment.
- When Sears was paid off, she shifted the \$75 on to her \$65 per month bank loan, the largest of her debts, for a \$140 power payment.
- Since the bank loan was the last of her debts, Mary began to put the \$140 into savings every month and was pleased at how quickly her money grew by earning interest rather than having to pay interest.

Mary's Power Payment Plan: (This does not reflect interest paid.)

Creditor	Priority	Balance	Payment Per Month											
			J	F	M	A	M	J	J	A	S	O	N	D
Visa	1	\$190	40	50	50	50	0	0	0	0	0	0	0	0
Sears	2	\$325	25	25	25	25	75	75	75	0	0	0	0	0
Bank	3	\$875	65	65	65	65	65	65	65	140	140	140	0	0
SAVINGS			10	10	10	10	10	10	10	10	10	10	150	150

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### YOUR POWER PAYMENT PLAN

Due 1st Half of the Month			Payment Per Month												
Creditor	Priority	Balance													
	1														
	2														
	3														
	4														
	5														

  

Due 2nd Half of the Month			Payment Per Month												
Creditor	Priority	Balance													
	1														
	2														
	3														
	4														
	5														

  

SAVINGS															
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#### Remember:

- Pay at least the minimum monthly payment for the bills you aren't power paying.
- The way you prioritize your bills to power pay is up to you (i.e. smallest, largest, highest interest rate, etc.).
- When all debts have been paid shift previous monthly payment amounts into savings.